Deepak Moorjani

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"Kohlenberg, Kerstin" <Kerstin.Kohlenberg@zeit.de> May 13, 2009 2:03 PM
To: DEEPA
AW: Links to Articles

Hi Deepak,

oh yes, I read them and after that went to your scribt-page and read everything that is there.

What you discovered at Deutsche Bank in regards to almost 100percent loans and the connection to bonuses is exactly what apparently happened at Hypo Real Estate (only that they offered 160 percent commercial real estate loans which in German is actually against the law. I am researching that story right now) so I am a little familiar with the topic. I just did a story about Merkel and her advisers and how badly their bank-overview functions. (http://www.zeit.de/2009/15/DOS-Kanzleramt)

I believe what you discovered in a heartbeat. I think your demands for better risk management and a different incentive structure need more audience - and connected with that very case that you are presenting, it would make a big, big story. I write 8000 word features (kind of like a New York times Magazine Story) and I would very much write about you and the case you are making. There are a lot of people out there that demand change, but there is you who can show how rotten the system still is, and how the managers say one thing to the media and something else to people like you.

The fact that your letter was ccd to Angela Merkel makes it even more interesting, because I could confront her with it, and ask about her real interests in changing the system (like she said on the G20 summit)

So any clue when you will be back in New York?

Kerstin

-----Ursprüngliche Nachricht-----
Von: DEEPAK MOORJANI
Gesendet: Mi 13.05.2009 18:50
An: Kohlenberg, Kerstin
Betreff: Links to Articles

Hi Kerstin,

Have you read these articles? If so, I'd welcome your thoughts.

A.

B.

Deepak

On May 14, 2009, at 12:57 AM, Kohlenberg wrote:

> Deepak,
>
> That's really unfortunate. When so you come back to the States?
>
> Kerstin
>
> Am 13.05.2009 17:51 Uhr schrieb "DEEPAK MOORJANI" unter
>
> > Hi Kerstin,
> >
> > Unfortunately, I am stuck in Asia. Hearings are discontinuous, and I'm
> > not sure when the next hearing will be. The April hearing was public,
> > but most are closed hearings (including this Friday's hearing).
> >
> > I'll recommend that we "meet" via videoconference. It's the next-best
> > alternative and better than a phone call. Maybe even this weekend.
> >
> > Thanks,
> > Deepak
> >
> > On May 14, 2009, at 12:10 AM, Kohlenberg wrote:
> >
> > > Hi Deepak,
> > >
> > > Thanks again. Just two quick questions in order to plan my trip next

Chairman

JUN MAKIHARA

Neoteny Co., Ltd.

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乙第四三号証 6-1

(2) Deepak Moorjani
02/08/2007 03:09 PM

To: Michael Cohrs/DMGIB/DMG UK/DeuBa@DBEMEA
cc:
Subject: Via Jun

Hi Michael,

Yes, I was. Bonus day turned into a bigger distraction than imagined. Apologies for the delay.

I've convinced the sponsor of a large JREIT to go private in an MBO transaction. It's fairly large transaction ($1.7-1.8 billion), and if necessary, I would like to get your advice if we hit any major hiccups. Currently, we do not have any major issues, but I wanted to introduce myself well in advance in the event that I need some advice.

Thank you.

Deepak Moorjani
Deutsche Securities Inc.

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Michael Cohrs/DMGIB/DMG UK/DeuBa@DBEMEA

(1) Michael Cohrs/DMGIB/DMG UK/DeuBa@DBEMEA
02/05/2007 10:54 PM

To Deepak Moorjani/db/dbcom@DBAPAC
cc
Subject

I think you were trying to reach me--how can I help?

From: **DEEPAK MOORJANI** deepak@alumni.duke.edu
Subject: Deutsche Bank Satyagraha (Tokyo District Court: Case #4109)
Date: October 23, 2008 at 11:33 PM
To: Michael Cohrs michael.cohrs@db.com, David Hatt david.hatt@db.com
Cc: Michael Diekmann michael.diekmann@allianz.com, Hugo Banziger hugo.banziger@db.com
Bcc:

PERSONAL AND CONFIDENTIAL

Mr. Michael Cohrs
Mr. David Hatt
Deutsche Bank Group
Sanno Park Tower, 2-11-1 Nagatacho
Chiyoda-ku, Tokyo 100-6171

Dear Messrs. Cohrs and Hatt,

In an April 14, 2008 letter addressed to David Hatt, I wrote, "In my estimation, we will announce at least $10-15 billion in write-downs related to our credit exposure in a twelve month period. For Deutsche Bank, the status quo is no longer acceptable, as these large losses have increased and will increase scrutiny into our performance. Shareholders should call for greater accountability, especially relating to Deutsche Bank management. In recent media reports, I have begun to read criticism from shareholders and the general public, and some interpret inadequate corporate governance structures and lax internal controls as contributory to our large write-downs."

To date, we have announced approximately €7.3 billion in write-downs, 37% of the total net income earned in the 5-year period of 2003-2007 and 99% of the total net income earned in the 3-year period of 2003-2005. This letter represents my continuing attempt to improve the inadequate governance structures and lax internal controls within Deutsche Bank with a specific focus on management's failure to perform.

. . .

As a Deutsche Bank employee, I believe the media has missed the real story. The media reports on a "subprime crisis" or a "credit crisis" as if our recent write-downs and losses are caused by external events. Our poor results are a "management debacle," a natural outcome of management's actions and failures to act. Management took too much risk, failed to manage this risk, and broke

Management took too much risk, failed to manage this risk, and broke too many laws and regulations. Within Deutsche Bank, there is a strong economic disconnect between management and shareholders, and in my opinion, the culture of Other People's Money ("OPM") is highly contributory to our losses. As Warren Buffett stated, “The banks exposed themselves too much, they took on too much risk . . . It's their fault. There's no need to blame anyone else.”

. . .

THE CORE ISSUE: MANAGEMENT'S FAILURE TO PERFORM

Management's desire to suppress internal dissent is likely an attempt to conceal management's failure to perform. Despite a stated pay-for-performance culture, a recent Financial Times article explained “It was also revealed that Deutsche paid €97.1m in 2007 to six members of its global executive committee, compared with €99.7m in 2006. The committee members include Deutsche’s top investment bankers such as Anshu Jain, head of global markets, and Michael Cohrs, head of global banking.”

Our actions relating to executive compensation seem to contrast with our public disclosures which state, “Effective corporate governance in accordance with high international standards is a part of our identity. We ensure the responsible, value-driven management and control of Deutsche Bank through our system of corporate governance, which has four key elements: good relations with shareholders, effective cooperation between the Management Board and the Supervisory Board, a system of performance-related compensation for managers and employees, as well as transparent and early reporting.”

. . .
Notwithstanding a history of weak performance, Global Banking management made aggressive projections for fiscal 2007 with its commitment to increase revenues by 82%. Management committed to deliver revenues of €130,000,000 with nearly €50,000,000 in NIBBT for this historically unprofitable business. To achieve these goals, management sought to utilize more than €2 billion of capital and to increase personnel to more than 150 employees. These aggressive projections were made despite historically weak performance in the Global Banking operation. In 2006, Global Banking delivered €50,410,000 in revenues with €2,462,000 of NIBBT. In 2005, Global Banking delivered €49,607,000 in revenues with €6,445,000 of NIBBT. Despite increasing personnel from 92 in 2005 to 120 in 2006, fiscal 2006 revenues grew by less than 2%, and NIBBT decreased by more than 60%. (Note: NIBBT Net Income Before Bonuses and Taxes).

. . .

Management sought to deliver its projections for the Commercial Real Estate lending business by aggressive utilization of the Deutsche Bank balance sheet; in January 2007, the Commercial Real Estate lending business utilized €1,578,600,000 of Deutsche Bank assets, approximately 95% of the total corporate finance portion of Global Banking balance sheet. Despite its “unnecessary and excessive” risk-taking, management was significantly behind its projections despite a very favorable environment. By mid-2007, Global Banking had delivered approximately €30,000,000 in revenues (less than 25% of its projections) and approximately €1,000,000 in NIBBT (~2% of its projections). Even though its compensation was guaranteed, management was unwilling to admit its performance failures; instead, management chose to squash internal dissent.

. . .

RETALIATION: MANAGEMENT'S ABUSE OF POWER

Internally, management’s aggressive use of the Deutsche Bank balance sheet was surprising, and I distributed a summary economic analysis of our commercial real estate lending activities. With limited information, I concluded, “We would generate more profits in the carry trade.” This January 2007 email was distributed to several of

carry trades." This January, 2007 email was distributed to several of my colleagues, and my conclusion was simple: our real estate lending activities in Japan did not make economic sense. Our uneconomic activity was not limited to a small pool of capital; at the time, we had nearly €1.6 billion in exposure. Given the illiquidity of these positions as well as the tight spreads, I did not believe that the risk inherent in this lending activity would make sense to a prudent investor.

. . .

Given the increasing focus on executive compensation, management should take responsibility for its failure to perform. Michael Cohrs and David Hatt should demonstrate leadership by returning their fiscal 2007 and fiscal 2008 compensation to Deutsche Bank shareholders. With authority comes responsibility and a concomitant "special duty" to perform. Andrew Cuomo says it well: "I believe that rebuilding trust in our capital markets requires executive compensation packages that are rational, fair and based on bona fide performance measures that are disclosed to the public. We must ensure that executive pay package structures no longer create improper incentives for executives to overleverage their companies and manipulate the books for their own short-term financial benefit."

. . .

Please address the issues raised in this letter and in the attached "Accountability and Transparency" discussion. Please provide your written response to Yasushi Higashizawa of Kasumigaseki Sogo Law Offices at your earliest convenience. Please join me in this conversation. Together, we can make a difference.

Sincerely,

Deepak Moorjani
東京都千代田区永田町２丁目１１番１号

cc: Hugo Banziger, Deutsche Bank, Michael Diekmann, Allianz SE

. . .

Our lending activities might be considered aggressive. For instance, Deutsche Bank was approached in late 2006 to finance a large transaction. The CRE lending business responded with a proposal to lend JPY 220 billion (approximately $2.2 billion), nearly 94% of the asset's loan-to-value (LTV). The real estate was being acquired at a going-in cap rate of 2.74%. Given the aggressive pricing, how much of this loan could we have securitized and how much of this loan would necessarily remain on the Deutsche Bank balance sheet? Did management view this as an aggressive proposal? On what economic basis was this considered desirable business?

Why did management want to grow an unprofitable business? In January 2007, I concluded, "After basic costs, we earn 1.4% ROC (Return on Capital) . . . We would generate more profits in the carry trade." Despite limited information, my conclusion was correct: our real estate lending activities in Japan did not make economic sense. With more information, we see that the business is actually unprofitable. In 2006, management delivered €32.2 million in revenues with €2.46 million of NIBBT. If we consider a modest cost of capital for the €1.6 billion of capital utilized as well as the guaranteed bonuses, this business lost more than €30 million in 2006. Based on these results, why did management seek to increase this business? With a January 2007 balance sheet of €1.6 billion, the average CRE employee used €58 million of Deutsche Bank assets in order to generate €1.2 million in unprofitable revenue in 2006. How does this constitute performance?

In 2006, there was already concern about the CRE lending exposure internally ("clean up balance sheet, improve return on risk weighted assets as CRE-Japan is 10% of global RWA, yet just 4% of overall revenues"). One way to "clean up" the balance sheet was to

securitize the assets, and one prediction was to "target 4-6 in 2007 . . . JPY 100+ b in securitized issuance is expected." How many securitized transactions were conducted in 2007, and how much was securitized? Why was more than half of our loan volume actually held-to-maturity? Why was securitization volume so low? In order to win originations, do we systematically underwrite loans on terms and conditions that prevent securitization? If Deutsche Bank gives bonus credit for Net Interest Margin (NIM), might managers have an incentive to hold loans on the balance sheet to maturity rather than to securitize? Is it more accurate to characterize CRE as a balance sheet lending business rather than a securitization business?

[The attachment DB Satyagraha 10-24.pdf has been manually removed]

[The attachment DB GB 2007 Business Plan.pdf has been manually removed]

[The attachment Attachments 102008.pdf has been manually removed]

Richard H. Walker Elected to MBIA's Board of Directors

ARMONK, N.Y.--(BUSINESS WIRE)--Sept. 14, 2006--MBIA Inc. (NYSE: MBI) announced today that Richard H. Walker was elected to MBIA's Board of Directors. Mr. Walker is the general counsel of Deutsche Bank, where he oversees the Legal and Compliance departments worldwide.

Before joining Deutsche Bank in 2001, Mr. Walker was director of the Division of Enforcement for the Securities and Exchange Commission (SEC). Preceding his appointment to that position, he served as general counsel and northeast regional director since joining the SEC in 1991. Prior to the SEC, Mr. Walker spent 15 years in the New York office of Cadwalader, Wickersham & Taft, where he was a litigation partner specializing in corporate, securities and commercial litigation.

MBIA Board Member and Nominating/Corporate Governance Committee Chair Claire Gaudiani said, "Richard's impressive legal, compliance and financial expertise will add important depth to our Board. We are delighted to have him join us, and are confident that the experience he's gained throughout his remarkable career will provide an invaluable asset as we guide MBIA's continued growth in the global financial guarantee marketplace."

While at the SEC, Mr. Walker was awarded the Presidential Rank Distinguished Service Award in 1997--the highest federal award for government service. He also received the SEC's Distinguished Service Award, and the Chairman's Award for Excellence.

Mr. Walker is a member of the New York Stock Exchange Legal Advisory Committee, and is a trustee of the Securities and Exchange Commission Historical Society and the American Folk Art Museum. A Phi Beta Kappa graduate of Trinity College, Mr. Walker received his J.D. degree, cum laude, from Temple Law School.

MBIA Inc., through its subsidiaries, is a leading financial guarantor and provider of specialized financial services. MBIA's innovative and cost-effective products and services meet the credit enhancement, financial and investment needs of its public and private sector clients, domestically and internationally. MBIA Inc.'s principal operating subsidiary, MBIA Insurance Corporation, has a financial strength rating of Triple-A from Moody's Investors Service, Standard & Poor's Ratings Services, Fitch Ratings, and Rating and Investment Information, Inc. Please visit MBIA's Web site at www.mbia.com.

CONTACT: MBIA Inc.
Liz James, 914-765 3889

SOURCE: MBIA Inc.

Mark Grolman
Managing Director
General Counsel, Australasia & Japan

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Deutsche Bank

乙第五二号証の一

(2) Daiki Kajino/db/dbcom
2007/05/09 19:19

To Tomohiko Kimura/Tokyo/DBJapan/DeuBa@DBAPAC
cc
bcc
Subject Fw: Staff - Privileged & Confidential

Kimura-san

As we discussed in this morning, I explained the current situation to Murakami-san in HR.
After that, I arranged conference call with Sunil Madan and it is already fixed on tomorrow at 17:00 (Tokyo Time).
Murakami-san and I will have a conference call with him and ask him about our concerns.
If you need to join it, please let me know.

As to investigation of Frank's e-mail for Pipeline issue, I will start it as soon as I obtain Mitch's approval.

Regards,

☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆
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☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆

----- Forwarded by Daiki Kajino/db/dbcom on 2007/05/09 19:13 -----

(1) Mark Grolman/Sydney/DBAustralia/DeuBa@DBAPAC
2007/05/09 19:09

To "Dick Walker" <richard.h.walker@db.com>, janice.reznick@db.com, rachel.blanshard@db.com, jiana.leung@db.com, "Kiyoshi Murakami" <kiyoshi.murakami@db.com>, "Andrew Hume" <andrew.hume@db.com>, "Daiki Kajino" <daiki.kajino@db.com>, "Mr. Tomohiko (Tom) Kimura" <tomohiko.kimura@db.com>
cc
Subject Staff - Privileged & Confidential

PRIVILEGED & CONFIDENTIAL

Below are draft notes of the interview I had with Frank Forelle yesterday.

NEXT STEPS

I suggest for your condsideration that the next steps should be:

(a) we interview Sunil Madan. Tom Kimura has agreed to do that by telephone as soon as possible this week;

(b) when Deepak Moorjani returns to Tokyo from the US next week, we press him again to produce all evidence he has of any alleged violations or wrongdoing. In the two weeks since he was interviewed he has not produced any evidence;

(c) agree a letter to Mr Moorjani in response to his letter. I suggest that this letter be signed by David Hatt as President and CEO of DSI (the employer of Mr Moorjani). David Hatt has been briefed on this matter. I will draft the response letter for your review. Once agreed, that letter should be delivered to Mr Moorjani.

I also propose giving the draft notes of meeting to Frank Forelle to check for accuracy.

乙第五四号証の一

Daiki Kajino/db/dbcom
2007/05/21 18:05

To Tomohiko Kimura/Tokyo/DBJapan/DeuBa@DBAPAC
cc Bret Dandoy/Tokyo/DBJapan/DeuBa@DBAPAC, Mitchell Mason/Tokyo/DBJapan/DeuBa@DBAPAC, Kiyoshi Murakami/db/dbcom@DBAPAC
bcc
Subject 【Confidential】Frank Forelle's e-mail

Kimura-san

Here is the result of Frank Forelle's e-mail box review.

【Focus】
Review Mr. Forelle's e-mail box and check if there is any "Deal Pipeline Report" as Deepak Moorjani pointed out at the interview.

【Summary】
There were several type of "Pipeline Report" which is shared by DB/CRE Management (Sunil Madan) and Mr.Forelle.
However, I could not find any report which covers details of individual deal, so I believe there is no "Deal Pipeline Report" as Mr.Moorjani insisted on.

【Details】
1. Management Report
There were three "Management Report" founded from Mr.Forelle's e-mail.
In those reports, DB Tokyo's information, such as expecting revenue amount from individual deals, probability of those deals and balance sheet information, are included.
However, there was no "Non-Public Client Information" included, therefore these cases do not breach Firewall regulation.
- 2006.11.11 John Griffin(NY) to Frank Forelle(DSI) and Sunil Madan(DB)
- 2006.11.17 Austen Gardiner(NY) to Frank Forelle(DSI) and Sunil Madan(DB)
- 2006.11.21 Sunil Madan(DB) to Frank Forelle(DSI)

2. Ad-hoc discussion between DSI and DB
I found one e-mail which was sent by Mr.Madan(DB) to Mr.Forelle(DSI) asking to have a call about specific deals.
In the e-mail, Mr.Madan mentioned 5 individual deals. It is highly possible that they had a discussion over those deals, however it does not consist any breach since there are proper ISA for all of them.
- 2006.11.09 Sunil Madan(DB) to Frank Forelle(DSI)
<Deal Name>
Secured — ISA was obtained on 2006.04.03 from Secured Capital Japan
FL1 — Sucuritization Project for existing DB Tokyo's loan
Rice Eater — ISA was obtained on 2006.03.07 from Blue Sky Fund Ltd.
BJT — ISA was obtained on 2006.10.24 from Bobcock & Brown
Single Crown — ISA was obtained on 2006.07.27 from Merrill Lynch

3. Weekly Pipeline Meeting
There is an e-mail evidencing "Weekly Pipeline Call" between DB Tokyo, DSI and DBSI(NY) exist.
However, e-mail does not show any evidence for Firewall Breach.
- 2006.10.24 Austen Gardiner(NY) to Frank Forelle(DSI) and Sunil Madan(DB)

【Review Method】
- Searched by "pipeline" for all e-mails / Review the contents of those hitted mails
- Read all mails (166mails) between September to the end of December which come from/ went to Sunil Madan(Sunil Madan was appointed Head of DB/CRE on 2006.09.25 and left DB Tokyo on 2007.01.01)

☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆
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☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆

EX-99.3 5 dex993.htm LETTER FROM RICHARD H. WALKER

Exhibit 99.3

Richard H. Walker
General Counsel

Deutsche Bank AG
Legal Department
60 Wall Street, MS NYC60-3601
New York, NY 10005

Tel 212-250-8200
Fax 212-797-4569

richard.h.walker@db.com

January 29, 2008

Mr. Gary C. Dunton
Chief Executive Officer and President
MBIA Inc.
113 King Street
Armonk, NY 10504

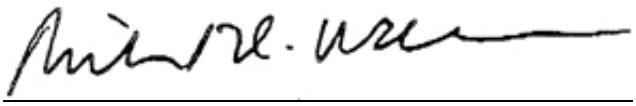
Dear Gary:

I have concluded that I should resign from MBIA's Board. I do so with great regret and only after very careful consideration of the interests of both MBIA and Deutsche Bank.

When I joined MBIA's Board in 2006, existing business relationships between MBIA and Deutsche Bank provided no basis to believe that I would be unable to give both institutions my full attention and undivided loyalty. Given the events of the past week, however, I am now in a position where I can no longer be confident that continuing to act on behalf of both institutions will not lead to the possibility of an appearance that I may have reason to favor one over the other on a matter of great importance to both. In these circumstances, my ability to continue to act on behalf of either institution may be constrained. Given the importance of restoring credibility in the marketplace, I would not want my role to become a distraction to ongoing efforts to achieve this goal.

I am proud to have been associated with MBIA, and I would have liked to continue serving on MBIA's Board. I leave the Board with great affection for all my fellow directors and with appreciation for their wisdom and dedication. I would also be remiss if I did not applaud the exceptional MBIA staff. I am confident that this top-flight staff, with the Board's support, will guide MBIA to future successes.

Sincerely,



Richard H. Walker

cc: Members of the Board of Directors